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ABSTRACT

Evidence from academic research and management experts in the United Kingdom and elsewhere confirms that the recent focus in work organizations on cost reductions through downsizing has changed the roles and structures of many human resources (HR) units. HR units have had to prove their contribution to the organization's bottom line, raise their profile, and be seen as adding value to the organization. In some organizations, HR professionals are being expected to assume a full range of strategic involvement--from setting strategy for the organization to creating strategy in the absence of a firm business plan. In other organizations, they are expected to function as consultants. The extensive changes occurring in organizations have had an impact on HR units themselves. Most HR units are now smaller and refocused on customers' needs. The most common organizational change in HR delivery has been to concentrate the strategic function and roles within a corporate center, with operational support delivered through divisional support units. Because some HR units now have less direct power, their influence has been reduced. The market environment within which some units now operate adds a further barrier to meaningful partnership. (Contains 67 references and 11 figures.) (MN)

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Summary

The trends

There have been numerous changes in the world of human resources (HR) in the past few years. The function has been intimately connected with helping organisations achieve cost reductions through downsizing and the consequent changes in the way jobs are structured: delayering, devolution, and decentralisation. These changes were caused by the need to react quickly to some severe pressures for survival which left organisations in crisis and necessitated radical solutions. Some organisations thought through their proposed solutions better than others; some had little time to consider the impact of their proposals, but were forced into being reactive to the pressures they were experiencing. The outcomes too were variable, but the trends are similar. The initiatives that were born of the need to survive, created their own problems which we are now beginning to see all too clearly. The delayering of hierarchies created stasis in career progression. As career opportunities were much reduced, so the jumps between jobs now seemed so large that for many bridging them appeared impossible. The steady round of downsizing left most of the workforce feeling insecure and consequently demoralised. With the traditional expectations of the deal with employers shattered, individuals were left feeling angry and distrustful; not the best environment to rebuild a successful thriving enterprise.

These changes pushed HR units to being as reactive as their organisations. For the lucky few there may have been close links with the business and its attempts to avoid catastrophe, but for many HR departments it must have felt as if they were constantly

sticking their fingers in the holes in the dike. Holes that were not of their making as well! It seems premature to suggest that those days have gone when so many organisations are still struggling to survive in the face of increasing competition and growing customer demands, but there are signs that there is a growing reflection on the impact of change. Organisations are awakening to the need, not only to do things differently, but also to understand better what the impact of these new ways of working might be.

In all this, the role of HR has been subject to its own pressures. HR needed to prove its contribution to the bottom line of the organisation, it needed to raise its profile and be seen to add value. This meant moving away from much of the day to day which, it seems, no-one else wanted, but for which no-one gave credit either. The function has been badgered by many commentators to become more strategic and help shape the organisation. Despite all this advice, the transition has been far from easy and there is a long way still to go for most HR units. In this report we look at evidence from a mixture of sources: some from academics and management gurus, some from organisations that we specifically spoke to as part of this study, and some from organisations that we have already helped to address some of the issues.

Key themes

HR and strategy

Despite all the rhetoric, it would seem that HR finds the transition to a more strategic role a difficult one. There are pressures on HR to carry on doing what it is doing from both within itself and from the line. There is the comfort of the familiar, the pleasure from doing well what you know how to do, the desire to retain the professionalism of the function, to make decisions with a weight of knowledge and a corporate perspective available to the decision maker. From the line there has been much reluctance too. The line can feel very pressured, and be unwilling to take on additional responsibility. There can be a natural reluctance to assume a role that is frequently uncomfortable and where there has traditionally been the comfort of HR being there to accept the buck.

Model of strategic relationship

Source: IES, 1997

From those organisations that we have observed we have seen the full range of strategic involvement, from setting strategy for the organisation through to creating strategy in the absence of a firm business strategy.

HR as consultant

As popular as has been the desire to move to a new strategic orientation, there has also been an equally strong move to a more consultative way of working. Of all the role changes for HR, this has been one of the most marked. The move itself stems from the growing emphasis on meeting the needs of the customer, and the devolution of responsibility to the line. HR could no longer hope to tell the organisation what it could do, but had to find more influential ways of working with the line to promote best practice. The roles of consultant and strategist do not necessarily sit very comfortably together, as many of the line issues can be short term in focus. For HR to safeguard its strategic direction, there needs to be senior level debate and the freedom to operate corporately as well as at departmental support level.

Devolution

Despite the fact that there has been a move, for many years, to devolve responsibility for people to the line, the issue shows no signs of diminishing in importance. This can partly be attributed to some of the difficulties encountered with this deceptively simple concept: how does the organisation maintain consistency, how should line managers be prepared for their role, how do you deal with managers that cannot make the transition? Devolution also takes place on several dimensions, there is the devolution of operational responsibility to the line, but there is also an internal devolution within the function from corporate centre to periphery. As organisations fragment and departments

become more autonomous, so aspects of the policy making role move with it. In a number of organisations, the central corporate HR unit is losing aspects of its role.

The HR unit itself

With all this change going on in organisations, and all the responses that HR has needed as a result, we were keen to find out if the function had taken its own medicine and changed itself in the process. Certainly most of our units spoke of being smaller. This is in contrast to previous observations that have noted that the central unit may have downsized while the peripheral HR support to managers had grown (Hirsh, 1987). Complementing the slimming down, there has been a refocus on the needs of the customer. In some cases this has been a formal review of structure and function, in others it has been more evolutionary. As a consequence of such a review there was a tendency for HR to align itself more directly to serve the needs of the customer.

The most common organisational structure was to concentrate the strategic function and roles within a corporate centre, with operational support being delivered to the line through divisional support units. In some organisations, these divisional units reported back to the Head of HR thus maintaining a professional link and overview; in others the units reported to the divisional director and maintained only a 'dotted line' relationship to the Head of HR.

In local government, legislation on the tendering of professional services had led some councils to further split personnel into a client arm and a contractor arm. The client arm would specify policies and strategy, and the contractor unit would develop such policies in consultation with others in the organisation as necessary. The associated need for payment for services causes tensions of its own and can lead to a loss of influence for the function. Some of the private sector organisations that we spoke to had recognised this difficulty, and had deliberately avoided internal charging mechanisms.

Summary

From this review we see some key tensions for the function that it is seeking to resolve:

- Devolving responsibility to the line can feel like a loss in professionalism and in the variety of mixed practice.
- The line are frequently unwilling to assume any greater responsibility, or accept a role that is obviously difficult and frequently contentious.
- Less direct power puts the function in a position of asking permission to act. Where the standing of HR is high, then influence can be strong; where the function is more peripheral and not well thought of, influence can be minimal.
- The market nature within which some units operate adds a further barrier to meaningful partnership. Charging for services may persuade some line managers to try elsewhere.
- Increasing devolvement to the line and the adoption of a consultancy model where the primary role of HR is to support the line, means that the function becomes less strategic. Inevitably the horizon of the line tends towards the immediate issue, whereas a strategic role requires a more long term perspective.
- As units devolve, the centre may become increasingly isolated and seen as peripheral. If the trend of devolution to the line continues and becomes more accepted by the line, then it may be that what we have seen happen to the centre in some organisations could happen to HR itself. As managers become comfortable with their new responsibility and freedom, the HR support unit may be seen to be redundant.

1 Introduction

The HR function has had a turbulent time over recent years. It was not so long ago that the HR function was helping organisations face up to skill shortages with an array of creative policies designed to attract non-traditional recruits; women returners, ethnic minorities and disabled workers. These innovative recruitment policies were often coupled with an array of retention policies that focused on pay practices in an effort to stem the loss of valuable staff. All this activity was changed by a recession that bit deep into the western economies, completely changing the priorities of organisations and their HR functions with them.

The recession spawned a series of policies designed to control costs and to increase organisational efficiency. The emphasis swung from retention to downsizing, often in a climate of considerable stress as organisations fought for their survival. With downsizing came decentralising and devolution of responsibility; from declining central functions to the line manager; and from decreasing numbers of managers to the employee themselves. Alongside these changes came further pressure on what was left of support functions to justify their cost and indeed their existence.

HR felt the pressure of this trend with perhaps more severity than other functions because of the intangible nature of much of their contribution. There was a period where the function had to turn its attention inwards, to examine how it might plausibly measure its contribution to overall organisational well-being, as well as continue to support an organisation in crisis.

We are perhaps, now beginning to glimpse an end to the crisis management. Organisations may still be lean, and employees certainly do not feel safe, but the drastic downsizing of the early 1990s is becoming less common. As organisations begin to feel less under attack, some of the policies adopted during the recession can be seen to produce problems of their own and demand their own responses. The downsizing that affected many, the flattening hierarchies, the demise of middle managers, have all produced difficulties. Flatter structures and smaller organisations mean fewer career opportunities. The legacy of redundancy has seen the demise of loyalty, the loss of security, a growth of cynicism and lowered morale. Some organisations are now waking up to the need to look at these self induced changes and respond again. Some are talking of re-centralising devolved functions to enhance and restore corporate influence, some have already done so. Here, there is clear evidence of the cyclical nature of organisational change and response.

Through this period of uncertainty, one thing is certain — it has not been an easy time to be an HR professional. This report looks at the functions response to these pressures. We begin by looking at the context to this report, the objectives of the study and the methodology used.

1.1 Organisational context

These changes were set against some fundamental organisational trends where we see the world of work changing.

1.1.1 The old model

The old organisation could be caricatured in a number of ways; stable, long service, bureaucratic, hierarchical, status driven, command and control structures, strong functional chimneys, internally focused, high on intrigue, 'politicking', low innovation, poor communications and with organisational power acquired through empire building.

Much of the character of the old organisation was determined by its structure, and it is structure that has provided a number of ways of analysing and describing organisations. With few exceptions most companies were, and indeed still are, organised largely according to the principles of scientific management (Taylorism) and Weber's concept of bureaucracy. The essence of

these 'command and control' models is the separation of decision making and implementation: senior managers co-ordinate; workers implement (Dichter, 1991). The overriding features are:

- Work is broken down to provide well defined areas of specialisation. Decisions are based on expert judgement, technical knowledge and compliance to rules and procedures.
- The many different functions performed within an organisation must be co-ordinated and tied together so that they contribute jointly to the desired end result. Jobs are clearly defined in terms of the tasks to be done, privileges and boundaries.
- Order and regularity must be achieved through authority implemented through a defined hierarchy or chain of command. The levels of hierarchy are determined largely by the span of control (*ie* the number of subordinates an executive can manage).

1.1.2 Drivers for change

The 'command and control' model was devised in response to relative stability in the market, technological and demographic environment. It is a way of managing that is perceived in some quarters to be inadequate to deal with the competitive challenges of the 1990s.

The 1980s and 1990s saw the worst recession since the 1930s. This led to increased turbulence in demand at the same time as there was an increase in diversity on the supply side. The litany of drivers has become familiar to us all. The recession was coupled with increasing global competition, the growth of IT, the growing vociferousness of consumer demand. Not all of these pressures were felt by all organisations equally. There are many organisations for which global competition has not had a severe impact, and others for which new technology still occupies a supporting rather than central role. But all organisations experienced some pressures for change and for many the pressure was severe and life threatening.

These increasing competitive pressures have led organisations to develop three main approaches:

- cost reduction
- quality improvement
- time contraction (speed of product to market/responsiveness to customer needs).

Alongside these approaches, other developments have implications for the type of labour required by the firm and the way work is organised and managed. Some of the main features are:

- Information technology leading to the demise of many middle-management jobs plus placing new pressures on the workforce to adapt or move on.
- Automation/information leading to the de-skilling of other jobs, in others shifting the focus from technical expertise to customer focus.
- Product market innovation and technological change leading to the demand for better educated, more highly skilled and flexible human resources.
- Increasing customer focus requiring employee involvement and commitment.
- Cost driven change leading to reductions in head-count particularly at management level. The reduced number of levels have themselves led to contraction of the internal labour market, with knock-on effects for morale and motivation.
- A division of competitive strategy leading some to operate in a high quality, high added value sector, while others compete purely on cost grounds and therefore minimise production costs and indeed quality.

1.1.3 New models of organisation

In response, authors have suggested a transformation of the managerial hierarchy into an extraordinary array of 'new' organisations. Gareth Morgan (1989) has described the changes in organisational forms as moving from the rigid bureaucracy through the addition of a senior management team and task-forces, to a matrix structure and on to the 'project organisation' and loosely coupled 'organic' network.

Hastings (1993) describes the hallmark of the new organisation as being an emphasis on radical decentralisation, intense interdependence of individuals, teams and departments, demanding expectations, transparent performance standards, distributed leadership, boundary busting: *ie* breaking down barriers both within and outside the organisation and increasing use of networking and reciprocal arrangements with customers, suppliers and other strategic partnerships.

In practice, the nature of the change driver (cost, quality, IT *etc.*) is partly determining the types of 'new' organisations that are emerging. Several models can be identified:

- decentralised
- downsized
- flatter/delayered
- matrix
- project
- networks
- core/periphery.

Decentralised

Decentralisation has been a prevalent feature in both the public and private sector in recent years. An outcome of organisations' need to refocus their operations closer to their customers, it involves a shift from functional to product based divisions, the creation of strategic business units, profit centres *etc.* (Handy, 1989) and the devolvement of responsibility and authority (Goold and Campbell, 1986). The anticipated advantages cited by employers typically include the opportunity to delegate responsibility for the achievement of results via local ownership, stimulation of entrepreneurship and creativity, and the ability of the centre to concentrate upon strategic issues.

Downsized/rightsized

The drive to reduce costs has forced many organisations to reduce their workforce. These short-term responses have often created conditions of job insecurity and low morale which makes future change initiatives more difficult to implement. The impact of this loss of morale is wholesale insecurity. This has reduced movement within and between organisations, reduced consumer confidence, and led to less personal investment by individuals in their own future (Tamkin and Hillage, 1997). Perhaps one of the most intangible losses has been the impact of the wholesale reduction in employee morale, and with it the kind of commitment which organisations say is indispensable for their need to innovate and adapt.

Flatter/delayered

Reading popular management texts suggests that achieving a flatter organisation is a relatively straightforward and universally applied process with the same outcome. Remove incumbents of layers in the hierarchy that are not adding any value and reallocate responsibilities elsewhere. IES research (Kettley, 1994) suggests however, that delayering is a disparate and potentially highly differentiated response to business needs. What becoming a flatter organisation actually means in practice depends upon which approach has been adopted.

Matrix organisation

A matrix organisation is one where the majority of individuals have two lines of reporting — to a functional specialism and to a product/service line manager. Most writers place matrix organisations at the centre of a continuum between purely functional type organisations and purely product type organisations (Cleland and King, 1983). A matrix combines the benefits of both structures by providing proper project co-ordination while maintaining a continuing linkage with a functional expertise (Ford, 1992). As a concept the matrix organisation can appear attractive to organisations faced with the contradictions of being both big and small, radically decentralised and centrally controlled.

Where the organisation finds itself continually managing multiple projects which do not sit comfortably within a matrix, a project organisation may develop.

The project organisation

The project organisation can be conceived of as a constantly changing kaleidoscope of teams, forming, delivering work and dissolving as required. The essence of these teams is that they are multi-functional, multi-disciplinary and frequently multi-locational, assembled from various parts of the business for different purposes.

The tasks they take on are typically described as projects, and project management methodologies help ensure that team tasks are clear, timescales are understood, that there is clear accountability and a focus on results. Perhaps not surprisingly, the project

working approach appears particularly popular in times of organisational change and as a means of organisational development. Hastings (1993) emphasises the importance of having a 'project slate' — a visible record of the portfolio of projects that are in progress at any one time.

Networking

Networking organisations have also been termed boundaryless organisations and are characterised by a high degree of information flow across the organisation. Information flows freely according to need, regardless of traditional hierarchies or information channels. Individuals form relationships with those that can be useful, rather than those which a traditional organisation gives permission to work with. Frequently, networking organisations make high demands of information technology, needing to capture and share information on individual skills and expertise across departments, sites and even countries.

Core/periphery

The core/periphery model (Atkinson, 1983) implies that organisations are increasingly dividing their workforce into two main groups. The core being a limited number of highly valued, permanent contract employees, and the periphery being a larger more transient group on short term, more flexible contracts. The evidence is that increasingly organisations are making use of flexible contracting arrangements both to minimise cost and to maximise their options if caught by other external environmental changes. This has led to increasing numbers of part-timers and those on flexible contracts *etc.*

These new organisational forms point to some key themes:

- Hierarchy is decreasing, with fewer levels and a smaller management function.
- Status and rank are seen as ineffective in decision making and are disappearing.
- Organisations are becoming more fluid and the new logic is to organise around processes, customers or products *not* functions.
- Decentralisation and devolution mean that large organisations are likely to have several organisational forms at any one time — diverse circumstances call for diverse organisation.

- Information costs are cheap and the flow of information around the organisation is faster and richer — this means the traditional hierarchy of decision making on information can be modified with the reduction of many middle management jobs.
- Teams are becoming a more important building block for organisational effectiveness.

We were keen to see how much of this organisational turmoil had impacted on the HR function, what they were doing about it and what their role was in their organisations in terms of assisting the organisation to cope with this change. We also wanted to know how much of this had had a direct impact on the way the HR function itself was structured and carried out its work within the organisation.

This study draws on the comments of academics, management commentators and the experiences of practitioners. We also spoke with ten organisations to explore some of the key themes in more detail, and we have drawn on our own experiences of working with organisations on a range of different projects. Those organisations that we specifically visited covered a range of sectors:

1. a telecommunications company
2. a major UK based engineering company with a number of divisions
3. a large retailing group consisting of a group head office and three major business arms, one of which was a new acquisition
4. a county council
5. a large pharmaceutical company
6. an insurance company
7. an aviation company (aeronautical)
8. central government department
9. central government department
10. central government department.

1.2 Objectives

The research study has the following objectives:

- To understand the context in which the personnel function has been operating and to understand the influence these contextual factors have had.

- To collect information on the responses of the HR unit in terms of its own structure and ways of working.
- To collect information on how the HR function contributes to organisational change.
- To look for similarities in these experiences across organisations.

2 Organisational Change

2.1 Models of change

There are a number of broad choices an organisation can make in its approach to managing change. They are:

- Changing the structure of the organisation through delayering, moving to matrix or project working, separating core and periphery.
- Adapting systems by which work is organised, *eg* via process re-engineering, automation, outsourcing; job/role re-design, *ie* changing individuals' roles, responsibilities, skills, *eg* via team-working, job enrichment/enhancement/rotation, *etc.*
- Culture change, *ie* changing the organisational climate, values and interpersonal behaviour, such as how open people are with each other, how conflict is managed, how decisions are made.
- Transformational change involving each of the above in parallel, ensuring that they are consistently applied across, and integrated with, all systems and processes.

Tyson and Fell (1995), explore some of the issues that are raised by the changes in our workforce. These have led to an increasing proliferation of high technology solutions, downsizing creating a large pool of unemployed middle-aged men, and a growth of smaller organisations with strategic alliances with suppliers and others. They believe that six trends will shape the workplace:

- The average company will become smaller and employ fewer people.
- Traditional hierarchy will give way to other forms.

- Technicians will replace operatives.
- The vertical division of labour will be replaced by horizontal.
- Business will shift from making a product to providing a service.
- Work itself will be redefined with constant training.

Previous IES research with organisations undergoing such changes has pointed to the importance of integrating across the range of HR processes. Lack of integration is a common source of failure.

2.2 Why change attempts fail

Change attempts fail for a number of reasons including failure to understand resistance to change, inability to maintain morale, and ineffective line management mediation.

2.2.1 Failure to understand resistance to change

Research studies have demonstrated that particular sources of resistance to organisational change are likely to be groups who see a threat to their expertise, established power relationships and access to resources or rewards. Perhaps not surprisingly the role of middle managers in implementing change has been the focus of much recent attention. O'Creevey and Nicholson (1994) have reviewed the role of middle managers in the implementation of 'high involvement' work forms. They concluded that the key sources of managerial resistance are: protection of self interest; concerns about competence and ability to master new skills; and mixed signals (*ie* top management and day to day experience conveying messages with contradictory values, expectations and requirements).

Reactions to change are seen to be influenced largely by:

- The content of the change: especially the implications for level of pay, the number of people employed and the nature of the jobs.
- The approach and methods adopted to achieve the change.
- The form of change may also have an impact. Analysis of the WIRS survey data (Daniel and Millward, 1994) shows that employees distinguish between technical change and others forms of organisational change. The authors conclude that there

was less resistance to technical change on the grounds that new technology tended to be familiar, to pose few threats to people's capacity to cope, and to be self-evidently an improvement upon the technology it replaced.

A key finding of the influential study by Beer *et al.* (1984) was that organisations must build on or create a sense of dissatisfaction for change to flourish. This means that individuals must understand and closely identify with the need for change. Those organisations which can recognise a growing sense of desire to do things differently often relate it to a particular crisis (often outside their immediate control), *eg* privatisation, de-regulation, *etc.*

2.2.2 Maintaining morale

A much talked about phenomenon is the damage downsizing and restructuring has done to the 'psychological contract' (Herriot and Pemberton, 1994). The concept of the psychological contract is based upon a recognition that there is an implicit understanding and unspoken agreement between the individual and the employer that the former's need for equity, security and satisfaction will be met in return for good performance.

An IES review of employer responses to change (Kettley, 1995) found that, in some cases, they had tried to categorise likely attitudes of 'survivors' to change. The main types of employee 'group' identified by employers were:

- Those employees who are willing to make the change but may lack the emotional capacity to do so. The kinds of role changes which characterise flatter structures *etc.* can be potentially damaging to individuals' concept of self-efficacy and their sense of value to the organisation. What is important for such a group is to ensure that their concerns are listened to, that they are given sufficient opportunity to develop new skills and working relationships, and that their sense of self-esteem and identity is reaffirmed.
- Those employees who have readily embraced the changes but who are now seeking reward and recognition. These are not necessarily financial, *eg* simple acknowledgement of effort, chance to improve visibility, sense of 'insiderness' or belonging to the new order, strong networks and contacts, opportunities to work on high visibility projects *etc.*
- Those employees who have disengaged themselves from the organisation. Perhaps harbouring plans to leave or having

withdrawn their commitment in some other way, *eg* poor attendance, errors, lost customer service opportunities *etc.* Others will be reluctant to take risks and to try new ideas remaining fearful of 'raising their head above the parapet'. Whilst for some of these employees their withdrawal may be irrevocable, other 'reluctant stayers' (who may still be high performers) are likely to value most highly information on the new business direction *etc.*, re-clarification of objectives, and assurance of access to resources.

Through creating broad typologies of employee reactions to change, employers felt they were able to develop appropriate policies to maintain morale after widespread organisational change.

2.2.3 Importance of the line manager

IES work on staff attitudes (Thompson, 1993) identified the relationship between an individual and their manager as the greatest influence on their interpretation of change. People receive the strongest messages from their manager, whose honesty, integrity and consistency is critical. Interestingly, whilst employees' commitment to the organisation may be adversely affected in a period of major change, trust in their own manager may remain intact. Respondents to staff attitude surveys typically differentiate between their own manager and 'management'.

The paradox of organisational change is that the process of change demands specific management capabilities which are often non-existent among current managers. These shortcomings are generally identified during or after the change process, by which time the damage has already been done.

3 The Role of HR in Change

3.1 The roles of HR

3.1.1 Multiple roles

The problem with looking at HR and organisational change, is the complexity and subtlety of the role of HR in organisations. Perhaps more so than any other support function, HR operates at a multiplicity of levels in organisations. It may assist, it may partner, it may chastise, it may lead. These roles are in part driven by an equally diverse range of expectations and demands from client groups — clients who inevitably conflict in their views and expectations of the function. Some of the scope of this diversity was captured by Wiley (1992) in clarifying the various role sets of HR.

There were the **strategic roles:** of consultant; helping the organisation with specific issues; that of assessor; analysing the internal and external environment to contribute facts and figures about the workforce, *ie* the workforce planner; the diagnostic role that uses research methods to distinguish symptoms from causes; the innovator/change agent who analyses problems to anticipate external trends and fluctuations; the catalyst proposing policies to be implemented by the line.

The second main category of roles were defined by Wiley as the **legal roles:** the auditor/controller assessing and monitoring and evaluating personnel activities for effectiveness; the role of provider which facilitates the accomplishment of HR policies; the conciliator, mediating decisions according to their impact on the organisation.

The final category were of **operational roles:** that of fire-fighter reacting to the demands and actions of others; the innovator/ change agent can also be in this category of roles where it analyses past experience for trends and lays plans to take the organisation into the future; the employee advocate, where HR acts as the corporate conscience; and the policy formulator role ensuring consistent policies are implemented across the board.

3.1.2 HRM

The use of the term HR as distinct from personnel implies a change of role in itself. The difference in the two was explored by Guest (1989). There are definitions of HRM that focus on HRM outcomes: strategic integration, commitment, flexibility and quality; others that focus on policies: job design, management of change, appraisal, reward systems; a third set that emphasise the corporate glue: leadership support, strong culture, conscious strategy; and a final set based on organisational outcomes: high performance, high problem solving, change, innovation, high cost effectiveness.

Tyson and Fell (1995), comment on the change from models of HR that concentrate on administration and systems to those based on strategic need. They note that the deconstruction of HRM has returned people management to the line. They observe that in some organisations HR is strategic, in others it has a much more developed service role. They cite evidence summarised by Keith Sissons (1994) which suggests that the number of HR managers on boards did not increase during the 1980s and that HR influence at the top of organisations is on the wane.

3.1.3 Criticisms of HR

This criticism of HR has had a popular press in recent years with several commentators subjecting the HR function to attack on all fronts. The perspective of a Chief Executive was given by Bob Kuijpers (1995), the CE of DHL who specified four main criticisms of HR:

- HR did not contribute to the business
- HR doesn't know what's going on, doesn't support when needed
- HR can't think strategically
- HR doesn't have a lot to show for its work.

This critical view is given support by Mirvis (1993), who reported the results of a national survey of 400 companies which he concludes shows that HR is out of touch with business priorities. Twenty five per cent of HR practitioners surveyed could see no relationship between the priorities of top management and the work of the HR department, and a further six per cent were unsure of where they fitted in. He suggests that HR would benefit from using benchmarking more, and regular movement in and out of personnel. Kuhns and Amuso (1993) offered advice to such beleaguered HR units to get closer to the board by functioning more strategically, getting close to the line, being willing to give good and bad news, and using internal and external benchmarking.

This rather negative view of the contribution of HR has been expressed forcefully by Fernie and Metcalf (1994). Drawing from their survey of 2,000 workplaces they concluded that those with specialist personnel managers were prone to worse workplace climate than those without. Not only that, but a number of HRM initiatives such as individual payment systems, the introduction of technical equipment, flexible multi-skilling and cascade briefing, were correlated with either no improvement on climate measures or a worsening.

In the face of such criticism, sympathy for HR is given by Warnick (1993), who comments on the difficulties faced by the profession in balancing paradoxical roles: employees expect HR to resolve issues in their favour, managers expect HR to fix problems regardless of whether the manager was at fault or not, and senior managers expect HR to protect them from legal problems and to maintain morale. Clearly there is much mutual exclusivity in these expectations. The impact of this role confusion has led to lost morale, uncertainty, undermining by line managers and corporate attack in many cases (Tyson and Fell, 1995).

This mismatch of expectations may also explain the attack on HRM by Tim Hart and the response by Derek Torrington (1993). Hart's accusations of HRM as being amoral, managerial and exploitative was believed by Torrington to be a fundamental misapprehension of a profession that had no choice but to be managerial if it was to have any place in organisations at all.

In summary, HR is expected to fulfil a number of roles in organisations, some of which are mutually contradictory. In

common with most situations where there may be role confusion, the result is that some will be disappointed and HR may find itself with its energies too widely dispersed.

3.2 HR and organisational initiatives

If strategy/consultancy and partnership with the line are ways in which HR is changing its role within organisations, we were also interested in the kinds of initiatives it was becoming involved in. HR translates its role into action through the ways it chooses to intervene and assist the organisation. The big ideas (Connock, 1992) are those that hit the headlines and certainly the literature on HR's involvement in organisational change has centred on these big ideas.

A number of writers have linked the centrality of HR to Total Quality Management (TQM) initiatives. Wright and Kusmanadji (1993) apply the principles of TQM to HR itself with the emphasis on customer focus, quality, empowerment, continuous improvement and the edict of 'right first time'. They then go on to show how all the traditional areas of HR activity are influenced and changed by the TQM process. The integral involvement of HR in the successful implementation of TQM is illustrated by Xerox (Caudron, 1993), who initially excluded HR from their quality initiative. It was only when HR was re-integrated that Xerox went on the win the Baldridge quality award.

Blackburn and Rosen (1993) looked at a number of TQM organisations to define the HR policies and practices that seemed to be associated with success. They observed that in such companies HR seemed to have moved from a support role to one of leadership. They identified an emphasis on communication, using employee attitude surveys and upward appraisal, the participation in cross-group working, the encouragement of questions and challenges; jobs redesigned to emphasise innovation and creativity, and empowerment enabling individuals to solve problems without referral.

Even without the guiding principle of TQM there have been major changes in the initiatives introduced by HR. In a survey of 560 organisations, Storey (1995) found that initiatives to do with team working and job flexibility were judged to have had a high level of contribution to the organisation.

White (1993), looked at the contribution of HR to another business initiative — Business Process Re-engineering (BPR). Success requires HR and compensation systems also to be re-engineered, with changes to structure, required competencies, training and development needs. Connock (1992) notes the trends in HR, the 'big ideas' that have caused a flurry of HR activity in particular directions, such as HRM, performance management, competencies, Quality, Benchmarking, and empowerment and networking. Fortunately for HR, these have tended not to be mutually exclusive but they do give a sense of some of the popular HR drivers.

When looking at examples of best practice, this eclectic mix of approaches that look at structure, systems and organisational culture to bring change into being, returns to the model of the ways in which organisations make change happen that we have already discussed.

3.2.1 Best practice models

Schuler (1993) gives an example of HR facilitating employee empowerment through the example of Grand Union, a retail grocery store in the US. Grand Union had to undergo a major change when its traditional markets were threatened by the growth in retail hypermarkets in the mid 1980s. Their strategy was not to compete directly, but to offer added value and quality, a decision that placed their staff as key. They moved to self directed teams, new role behaviours were identified for supervisors and the workforce were heavily involved in identifying what the changes would mean for them. Through this process the employees themselves identified the required role behaviours and the HR practices necessary to support them.

Winfield (1994) discusses a model HRM organisation using the example of Toyota. Toyota have adopted various practices designed to maximise organisational integration, employee commitment, flexibility and adaptability, and quality. In a climate where there was a vast over-subscription for available jobs, recruitment was treated as a key process. Great attention was paid to the psychological profile of potential recruits, with an emphasis on high tolerance of frustration, low ego needs, high compliance *etc.* HR practices included regular performance appraisal, daily briefings, group decision making, cross disciplinary teams, cross training, continuous improvement and performance related pay.

Pickard (1994) reports on the experiences of the Swiss Bank, which moved from being an organisation that was not particularly well thought of within the financial services sector, to one that was generally acknowledged as being well managed and much more successful financially as a result. This gives an excellent example of an HR function radically downsizing and restructuring itself, at the same time as working to change other parts of the business. Interestingly, the Swiss bank adopted the model propounded by Hay (1994) of personnel creating roles termed 'relationship managers' that were orientated towards client needs. These relationship managers were originally placed with the business units but were regrouped in personnel because of problems of professional isolation.

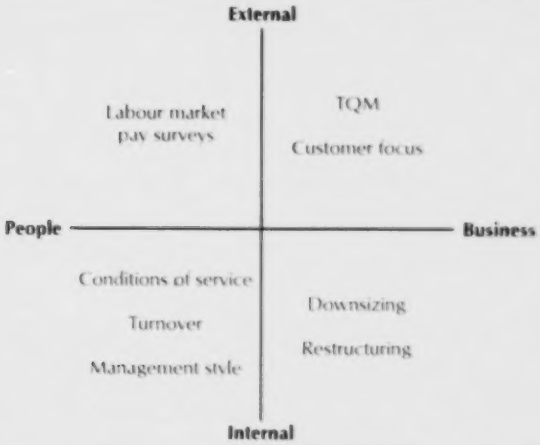
In a similar vein, Plevel, *et al.* (1994) show how the HR section of GBCS (Global Business Communication Systems) undertook a radical review of structure and purpose with the idea of reorienting the business, based on a strategic re-evaluation of purpose. The approach was a classic cascade from vision to mission to values and then to the strategic imperatives that would ensure that the values were fulfilled. Various techniques were utilised in this exploration such as benchmarking, interviews, focus groups, surveys, data from consultants. As a result of this review HR was re-organised into the functionally structured teams previously discussed.

3.2.2 HR in practice

We were interested to see how our experience in organisations compared with some of this academic and practitioner literature. What we saw was rather less of the big ideas and rather more of supporting the business in more everyday ways.

Amongst our case study organisations some key themes were emerging, in terms of the issues that the function was becoming involved in. There were a number of issues that directly affected the workforce, there were a number of issues that were more broadly about the organisation, and finally there were a number of issues that centred more on the way the organisation, does its business. These can be represented on two dimensions: the focus of the activity whether it be internal to the organisation or external, and the degree to which the activity focuses on the people or the business (figure 3:1).

Figure 3.1 Focus



Source: IES, 1997

3.2.3 Internal/people focused issues

Turnover

All parts of the retail group in our study were focusing on turnover as an issue of major business impact. In one part of the group, turnover had been as high as 104 per cent, and for the group as a whole a one per cent reduction in turnover would save the organisation some £800,000 per year. In this organisation the HR units had been involved in thinking of ways to reduce turnover, looking at career paths and the impact of job design, and producing turnover packs and guidance to managers.

Conditions of service

For the county council and our retail organisation, conditions of service were a major preoccupation: in one case because of the need for individual units to respond differently in the face of forced competitive pressures, and in the other case because of the merger of different businesses requiring the bringing together of differing conditions.

Diversity in pay and benefits systems

The trend with the growth in HRM, has been for pay systems to be used more strategically, *ie* to use pay to effect change in

attitudes or behaviour. In many companies there has been a not altogether complementary drive to devise pay systems that reflect the individual needs of the businesses. One of the major areas of development has been in the field of performance related pay (PRP). There has been a significant move away from service related progression, towards movement being determined by some element of performance measurement. We know from previous research that between one-half and two-thirds of organisations had some form of performance related pay when reviewed in 1992 (Thompson, 1992). The tendency has been to use PRP for higher graded staff, and originally in the private sector, there has been little growth in blue collar staff. The 1994 new earnings survey, placed the proportion of total pay that was subject to a performance element at four per cent but this is likely to disguise considerable inter- and intra- company variation. In our case study companies, the county council admitted that they did not feel their PRP scheme had had much impact on performance, but also acknowledged that it was very difficult to do very much about it. Removing a performance related pay scheme once established is very difficult to do. Another public sector company acknowledged that they were under an edict from the government to introduce performance related pay regardless of whether they felt it was a valuable addition to their personnel policies and practices.

Decentralisation of pay decisions from corporate head office to divisional or operational level, and from personnel to line managers is a further example of a trend in autonomy of pay decisions. In central government units, the decentralisation of pay from corporate centres following central guidelines, to agencies to determine for themselves, is one of the most time consuming personnel issues for the departments we spoke to. For our retail organisation there was also a preoccupation with pay, but in this case caused by the bringing together of newly merged companies on separate terms and conditions.

Management style

For our retail group once again, and for one of our central government departments, attempts were being made to change management style, with great efforts made to introduce a more coaching style. In the government department the driver was a general culture change programme, whereas for the retailer it was part of a change programme pushed by a business merger and high staff turnover.

Maintaining morale and commitment

As we have seen, the internal environment of our organisations has changed drastically. Many of those changes have had detrimental effects on the workforce:

- slower growth, which has restricted opportunities
- downsizing, which has eroded employees' sense of security
- restructuring, which has removed established career patterns
- decentralisation, which has established barriers to career movement
- devolution of managerial responsibility, which has meant loss of control over career processes.

The result, on the employee side, has been longer job occupancy, fewer promotions in the traditional sense, lower expectation of employment to normal retirement date, and the need to obtain satisfaction in other ways. Jobs and careers may not provide the sense of identity they once did. There is some evidence to suggest that increasing disillusionment and career frustration has left managers more detached from their employers than previously, and keen to leave if they could.

On the employers' side, offering long-term employment and careers was a means of securing and retaining skills that were hard to obtain from outside. These could then be developed internally so that they were specific to the organisation and conferred competitive advantage. A common approach to careers and training also helped in forming a strong corporate culture which reinforced this process. The implicit deal was of mutual benefit: the employee offered loyalty and flexibility and in return the employer gave security and the opportunity for advancement.

While most organisations have recognised that the previous balance has shifted, most responses have tended to concentrate on employee communication and re-establishing a corporate glue through vision and values statements. In one of our case studies, there was a conscious examination of the psychological contract and an appreciation that the organisation should consider its renegotiation and individualisation. This was in the context of a major review of the function and the organisation.

3.2.4 Internal focus/the business

Downsizing

Perhaps the key business change with people implications that HR were involved in, was dealing with downsizing. In all sectors the HR unit had been involved in this business change. For many it was the major theme, with much time and effort being expended to manage the fallout from the process. Redeployment processes, outplacement, managing redundancies, were all important parts of the HR role.

Devolution

Often as a result of the after-effects of downsizing, all the HR units in our study were involved in the delegation of responsibility for HR management and the devolvement of accountability and responsibility in general to the line. This aligns with the general direction of HR in becoming more strategic in their outlook, and themselves getting smaller alongside the rest of the business. Our government departments were finding this devolvement an issue, although the reasons for it varied in the individual departments. For one it was problematic because of the difficulty for the centre finding an area of responsibility that was reasonable and acceptable, and for another it was a case of trying to persuade rather reluctant line managers to take on more. For Aviation Co., the delegation issue was an integral part of a carefully thought through strategic approach to people management, with the pace of change and the degree of support offered to the line a serious consideration for the HR unit. The driver was primarily a philosophical belief in the value of such devolution, but undoubtedly also a necessary response to the HR unit becoming leaner.

Re-structuring

Downsizing and devolution are frequent bedfellows in business restructuring, but there are also other changes in the shape of businesses that are more fundamental. Not surprisingly, we saw several examples of business restructuring that extended beyond a reduction in numbers. The energies of our retail group were occupied in finding new appropriate structures because of the mergers that had taken place. For Pharmaceutical Co. too, it was a potential merger that had prompted them to take a fundamental

look at structures. For Engineering Co. the driver was not a merger but business efficiency, the necessity of delivering projects to quality and speed, that resulted in a move to a project way of working.

Three of our organisations were conducting a major review of their processes to assess the value they were adding to the organisation. Pharmaceutical Co. had undertaken an Activity Value Analysis throughout the organisation. Although led from the top, the activity itself was conducted bottom up as each department and unit analysed how they could do things better and cheaper than they currently did. Aviation Co. were also undertaking a fundamental review, this time of the HR function rather than the entire organisation. This involved restructuring the function and considering the relationship with the line and the overlap of responsibilities. Finally, Telecom Co. had undertaken a classic BPR review with the personnel function assisting and ensuring that the line did not get overly enthusiastic in their responses.

3.2.5 External focus

TQM and customer focus

As an internal resource unit, unsurprisingly HR were frequently involved on initiatives that had an internal focus; *ie* the impact of changes to policies, practices *etc.* on employees. But we did find examples where the focus of the initiative was essentially external facing. Two of our HR units were assisting their organisations look widely at quality programmes, as well as ensuring that workforce behaviour and practices such as reward, development and recruitment were aligned. In another of our case studies, HR was assisting the organisation move to become more customer focused.

Quite apart from the initiatives and issues that HR was involved in, in our conversations with these HR functions and our observations from our experiences, there are a number of key overarching themes that emerge over and over again and which we now explore.

4 Key Themes

4.1 HR and strategy

It is obvious that corporate strategy and the HR function should be closely intertwined. There is no organisation that can have a clear view of its direction and its future without fully taking into account the impact of such strategic vision on its people and the potential impact, in turn, of people on any strategic vision. Inevitably, therefore, corporate strategy has an HR dimension. The debate has been over the role of the HR function in strategy, and it is this debate that has been one of the most fundamental and philosophical. Part of the reason for the growth in popularity of the term HRM, as opposed to personnel management, has been the allure of strategy, the promise of developing a more forward looking role in the organisation. HR departments, in examining their role in their organisations, have debated how to shift that role further from the administrative and nearer to the strategic.

The involvement of HR with business strategy is really a subset of the debate on role; the emphasis is placed on a particular role above all others: HR's strategic role in organisations. There has been a general belief that as HR devolves more and more of the day to day personnel work to the line, then the function occupies a more strategic role in the organisation. This is generally felt to be a positive move and as we have already seen, there is much exhortation on HR to form more strategic partnerships.

The centrality of HR to strategic management was made by Fombrun *et al.* (1984), who stressed that strategic management was concerned with mission and strategy, formal structures and personnel systems.

Gunnigle and Moore (1994), differentiate between business unit strategy and organisation-wide corporate strategy. They borrow from Purcell's (1989) definition of upstream strategic decisions which affect the long-term direction of the organisation and downstream strategic decisions which deal with the implications of such for the organisation. They conclude that HR policy choices are third order strategic decisions as they will be heavily influenced by first and second order decisions. They report on the results of a postal survey of 6,000 organisations by Cranfield. This showed that relatively few organisations had a personnel strategy and only about half the organisations involved HR in corporate strategy at the outset. Tyson (1995) makes a similar point, that HR strategies can be aimed at transforming the entire organisation, or can be specific strategies in support of business strategy and seeking transactional change (Burke and Litwin, 1992 in Tyson, 1995).

But there is also, clearly, a more independently strategic role of HR. All of HR strategy is not just a response to business strategy. HR also has a role, and a responsibility, to look ahead at human trends in the organisational and wider environment. HR looks not only to support business strategy through the workforce but also to scan the environment for the HR issues that may affect the organisation.

The reality of moving to a more strategic role has been more difficult than anticipated for many organisations. This has partly been due to the fact that shifting less strategic work has not been easy. In some cases line managers have resisted, in others the HR unit itself has not wanted to let go. HR's reluctance came from several sources; sometimes because the work was familiar and therefore safe; sometimes because of some kind of professional reluctance (would it be done right elsewhere?), and sometimes because HR professionals lacked the skills necessary for more strategic inputs.

The other problem for many HR units is how to gain credibility in having a strategic input. With so much time dedicated to keeping the day to day running smoothly and negotiating the conflicting roles that are a reality for many units, there is little left for persuading senior managers that the HR function can be a major contributor to strategy.

Despite all these difficulties the HR functions in our case study organisations espoused the desire to become more strategic, and

FIgure 4.1 The strategic relationship

Source: IES, 1997

had adopted various approaches to ensure that this happened. We have already seen that strategy in the HR context can be viewed as a downstream strategic decision (Purcell, 1989), *ie* HR strategy flows from and supports business strategy. In many of our case study companies HR people were busy engaged in developing policies and procedures that helped their organisations change in a desired direction. For example, HR in our pharmaceutical company had anticipated some of the HR issues that were likely to arise from the business carrying out an activity value analysis, and had responded in ways that would help the organisation cope with the effects. In Telecom Co. the HR unit has been involved as facilitators in a number of business change programmes such as Total Quality. Within the County Council an Employment Strategy Group consisting of senior line managers fed in views on HR strategy to the HR function. In other cases, such as one of our central government departments, a tangible business strategy was less well developed. The HR function in this case acted more independently, looking to create policy and procedures that move the organisation forward in a way that seemed appropriate. Finally, in some cases HR would take a more proactive stance, such as in the case of Aviation Co. where the role of HR is seen to be one of challenging the business and to act as a strategic driver. These different approaches can be seen as lying on a continuum, with HR creating its own policy in the absence of any corporate strategy at one end, to HR driving business strategy at the other.

Undoubtedly, being strategic poses a real challenge for HR. We have already seen it occupies conflicting roles; it also frequently lacks a position in the organisation that enables it to be truly strategic. Inevitably, its role is to help the business realise its strategic intentions through the efforts of the workforce. The work of Gunnigle and Moore (1994) make this explicit: HR follows and nudges the organisation along a chosen path. Where HR has to become more proactive, *ie* where the organisation lacks strategic leadership, then it can feel strongly that it is

operating in a vacuum. This is the case at both extremes of our scale. At one end HR concentrates on policy and practice in the absence of strategy, which can leave it lacking business focus, at the other it attempts to drive business strategy from an HR perspective, which may leave it overexposed. Neither is a comfortable position to sustain. Ideally HR's strategic efforts are in supporting a defined business direction whilst scanning the environment for any changes that might represent threats or opportunities to the organisation.

4.2 HR as consultant

One of the problems for the strategic move of HR is the growth of another role: that of consultant. This trend towards the HR unit acting as a consultant within its own organisation was one of the most striking and consistent changes in our case studies. The reasons for this change are likely to be many and complex and are undoubtedly partly vested in the changes that are currently affecting organisations. Generally we have seen a growth in customer focus and awareness in all sectors, and in all organisations, large and small. This growth of external customer awareness and responsiveness has been accompanied by a similar move within organisations, with support functions responding to front line departments as customers, and with almost any internal cross-unit transaction seen as a customer-supplier interaction. As customer care and customer service have grown to become the norm, so it is less and less likely that an organisation that has not adopted this philosophy will survive and prosper. Similarly, an internal unit that has not also understood the concept of customer care and applied it to its client departments, will increasingly find itself isolated in these competitive, cost conscious times.

Alongside this growth in customer focus comes a changing attitude away from a fairly authoritarian provision of rules and policies, to one of jointly agreeing and working towards solutions with the client departments. Not surprisingly then, the outcome has been a general move towards a consultancy model of operating.

Aviation Co. have progressed beyond a model that meant the customer was always right (a model that left the HR function providing a service based on customer demand), to now being much clearer that their role is to consult, support and advise

rather than do. This is seen as a positive step towards line managers and departments becoming more autonomous. The HR unit will, in turn, become much smaller, which means that ultimately any 'doing' role is no longer possible. The driver for this change comes from becoming more focused, rather than the refocusing being driven by the downsizing of HR.

One of the dangers of the consultancy model is illustrated by the experiences of Telecom Co., where HR has helped facilitate business change such as the move to empowerment and self managed teams. Consultancy working depends on high quality outputs and good relationship management. The HR unit in Telecom Co. used inexperienced training facilitators in the past and it has taken some time to regain confidence. A similar point was made by the County Council: the client unit demands high quality and timely service from the newly separated contractor arm which can disturb old, comfortable working relationships. A consultancy model is new for many HR units and yet is demanding in terms of technical skills and customer care skills. Clients too may change their demands and expectations when they are visibly footing the bill.

Pharmaceutical Co. has also adopted a consultancy model but one that has not been translated into a formal charging mechanism. This a similar arrangement to that operating at Insurance Co., where personnel has been adopting more of a consultancy role through the provision of professional expertise.

In the two newly merged retail outlets, the line and personnel work in partnership, without a financial relationship. In the retail group, a decision has been made not to charge, as the function was uncertain if the branches would pay, and would instead try and resolve issues without support.

A major problem for the HR unit adopting a consultancy model, whilst also aspiring to be more strategic, is that the time frame of the two activities is often quite different. The consultant is often responding to an imminent problem, having to react in a timely and supportive way. The strategist needs a longer time frame of influence, to be effective.

4.3 HR and the line

Previous research by IES (Bevan and Hayday, 1994) has shown that the HR function is increasingly devolving responsibility for people management to the line. Our case study organisations verified that this is still an ongoing issue, that for many organisations has proved to be quite difficult to establish in practice.

In Aviation Co. there had been the most careful and formal evaluation of the function of HR vis à vis the line; a project team of HR specialists was formed to determine the role of the function and to implement changes of practice that would enable key processes to be devolved to the line. A target benchmark ratio had been set for HR of one personnel professional per one hundred employees. This project has been received somewhat cautiously by the line, with messages coming back to HR that the line do not feel ready to accept full responsibility in one go, but need time to acquire skills and adjust. For some managers there is outright resistance, to what they perceive as taking on another's role in addition to their own jobs. Neither is the reluctance all one-sided: for some HR professionals letting go of aspects of HR can feel threatening, and indeed some senior managers have concerns over their managers' readiness to take on the new role. The entire process has resulted in some unforeseen benefits for the HR function: the explicit focus on the role of HR has raised customer awareness of the complexity of the role and given HR greater confidence. Some difficulties that have arisen focus on the problems of maintaining standards and the formation of sub-groups that may be doing things quite differently. The trade unions have also shown concern over the feared loss of HR as middle ground in industrial relations disputes. Like all major initiatives there have also been problems in dedicating sufficient time to the project and in maintaining momentum.

Insurance Co. have experienced very similar problems in the devolution of personnel responsibility, with reluctance on the part of some line managers towards accepting full responsibility. There is a comfort in the familiar and in having 'experts' taking responsibility for certain issues. There is also a comfort of sorts in having someone else to blame if things should go wrong, or if unpalatable things need to be done. The HR unit believed that these problems may arise in part because of the lack of formal training for line managers, the emphasis being on learning by doing.

In the Civil Service the move to empower line managers has been further complicated by the break-up of the service into agencies and next step agencies, which have been given some freedoms by statute. These agencies often have their own view as to the amount of freedom they wish for from their parent department. As a consequence, central departments may have to manage two quite separate themes of devolution, both to agencies and to the line within agencies, whilst trying to maintain some overview. In addition, there is a need to manage centrally accountable responsibilities that cannot be devolved to the agencies or units, such as senior civil service career movements. Despite the growing independence of the constituent parts, with freedom for pay determination and other personnel matters, the most senior levels of the civil service operate as an open structure with freedom to move around. Central HR therefore has to manage senior level promotions and fast stream management. Maintaining this freedom of movement can be a difficult role in the face of pressures for greater divergence.

Within the agencies and units, quite different approaches to devolvement to the line have taken place. For example, within one department a very large agency had a well developed personnel function delivered through office managers, with a strong preference to devolve as far as possible to the line. Within the same department another smaller agency had remained more centralised in their approach to their staff. In a different department, line managers still had very little responsibility for personnel matters, with the exception of day to day management and performance appraisals. The departmental units are responsible for discipline, absence management, recruitment, promotions *etc.* The move however, is to increase line manager responsibility, with increasing line involvement in the recruitment process, and new policies accompanied by a strategic framework statement setting out the role of individuals, the line and personnel.

The tension between the wishes of HR to devolve and the reluctance of the line to receive, can be clearly seen in Telecom Co. Their HR specialists are actively involved with persuading line managers to take control and responsibility for their staff, which has met with mixed success. Alongside this devolution to the line, has been a move away from policing or indeed prompting the line on people issues. HR acknowledges that this has its dangers in inconsistency of treatment which may become

visible in growing numbers of grievances. This devolvement has not included line involvement in the development of HR policy, although divisional directors meet monthly with HR to develop high level HR strategy.

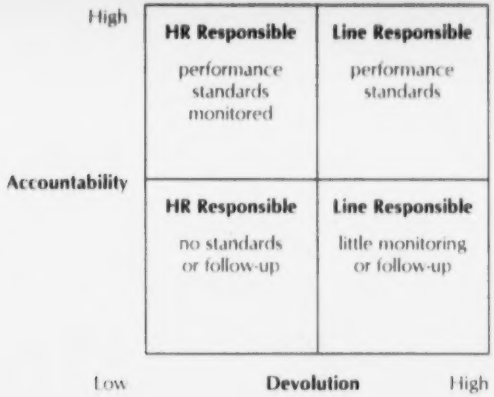
In the subsidiary businesses of our retail group, the line is seen as both customer and partner, and yet personnel reserve the right to say no if they believe that a line request cannot be met for some reason. They perceive devolvement as knowing when to let go, and where to set parameters.

In the retail group there has been an historical shift; in the past the relationship was one of command and control, now personnel tries to deliver what the branches want and branches are increasingly involved in developing policy. The tendency is to devolve as far down the line as possible, although this trend is less visible at HQ because of proximity.

In our organisations there were some examples of HR working with the line on the development of HR policy. Pharmaceutical Co. were one example of an organisation where policy development did involve the line. Reviews of policy were initially worked within the HR function, and then line HR units consulted with the line through focus or discussion groups. On HR issues of major business importance, the HR director liaised and consulted with senior managers. The involvement of the line on project teams and their ownership of issues such as job evaluation, was very much part of the culture. In Insurance Co. too, the directors of the business were involved in the formation of new policies, and line managers had responsibility for setting pay at local level and negotiating directly with the trade unions. This partnership model of policy formulation was also working at the County Council, with senior managers involved in leading a theme such as equal opportunities. The trend had been to increase the devolution of personnel responsibility to the line, this initially led to familiar problems for personnel of releasing control and maintaining consistency. This had been tackled by the adoption of corporate standards with key indicators by which the health of people management throughout the council could be judged. The corporate centre also undertook standards audits, which brought another twist to the well developed culture of devolution.

Overall, although all our case studies were devolving to the line to a greater or lesser extent, there were variables as to the

Figure 4.2 The relationship between devolution and accountability



Source: IES, 1997

degree of line involvement in the formation of personnel policy, and to the degree of accountability to which the line were held in terms of the health of people management. The interaction of these two variables is shown in figure 4.2.

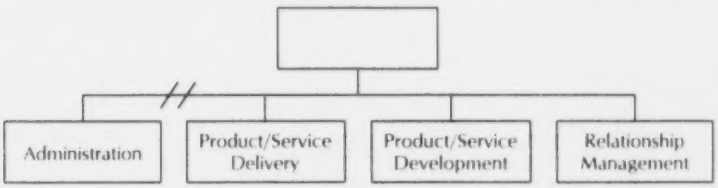
What we have seen is an initial swing in many organisations to high devolution to the line — not a smooth swing by any means, but a jumpy, much-resisted one. The swing to line accountability has tended to lag behind. In some organisations such formal accountability seemed anti-cultural, in the move away from personnel control or policing. As is all too frequently the case with the issues, monitoring is an afterthought, and hence formal measures of effectiveness have come later than the initiatives themselves.

5 Changing HR Itself

With all these organisational changes and the heap of initiatives with which HR has become involved, it would be surprising if this did not have some impact on HR itself, its own structure and ways of approaching its role. There has, however, been much more debate about the initiatives that HR has introduced and the way it supports, or fails to support, business change, than about what impact this has had on the HR unit itself. In some cases HR has been pushed to adopt structural change because of outside influences.

The most obvious example is that of the personnel function in local government, which has frequently reorganised into separate client contractor units, the client specifying organisational need and strategy and the contractor unit delivering policy and practice (Griffiths, 1993). Hay management consultants (1994)

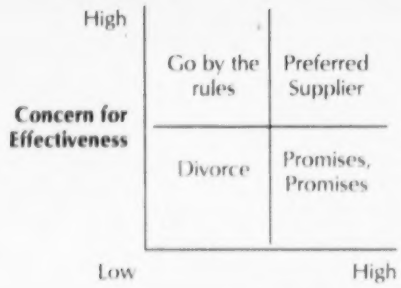
Figure 5.1 Process Structure model



Process Structure
(Change Integration is our Strength)

Source: Hay, 1994

Figure 5.2 The service strategy model



Source: Hay, 1994

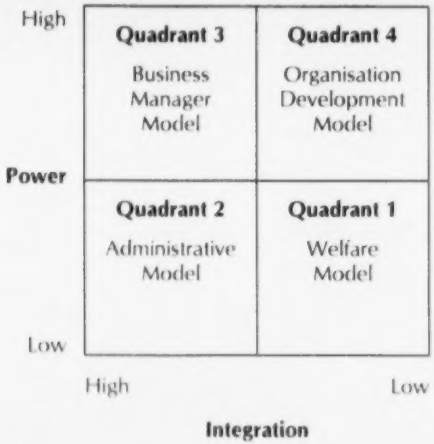
postulated that HR was moving away from a functional structure, *ie* organised along the lines of specialism, to a process structure where units were organised into customer-facing product delivery sections, with a separate and distinct relationship management role (figure 5.1).

Hay also postulates two models of the way HR operates. The first they call the service strategy model, looking at HR performing along two axes of effectiveness and impact. The second is the change integrator model, which examines the relationship between strategic integration and empowerment (figures 5.2 and 5.3).

Figure 5.3 The change integrator

Source: Hay, 1994

Figure 5.4 Power and centrality of HR



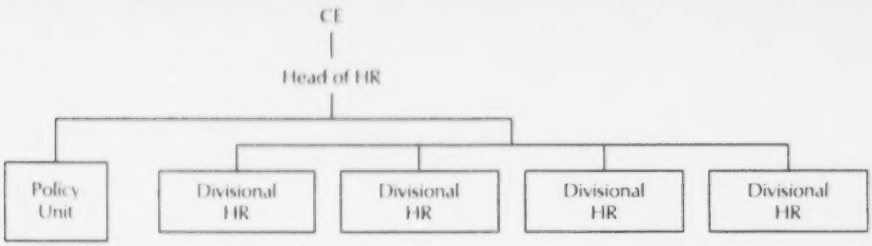
Source: Shipton and McAuley, 1994

In some contradiction to the Hay hypothesis, Plevel *et al.* (1994) in their case study of Global Business Communication Systems (GBCS) found a reorganisation into teams that had clear responsibility for supporting the business, but which did so along functional specialist lines. The business had created six new, distinct teams responsible for different aspects of the HR function: the associate service team; the labour planning team; the business strategy and planning team; the associate communication team; and the education and training team.

Shipton and McAuley (1994), discuss the relationship between the power that HR can exert in the organisation and the centrality or otherwise of HR (figure 5.4). The latter does not necessarily accompany the former, and the segmentation of organisations has meant that there are important advantages to no longer being a central unit. Their model illustrates the possibilities for HR along the two axes.

As we have seen, some commentators have suggested that the HR function is changing its structure and approach in response to the change pressures. Some have suggested that the function is becoming more customer-facing with a breakdown of the normal functional specialisms to a more directly client-focused model. Our experience in part reflects some of these views, but also shows that HR have tended to respond to different pressures.

Figure 5.5 Corporate and line HR



Source: IES, 1997

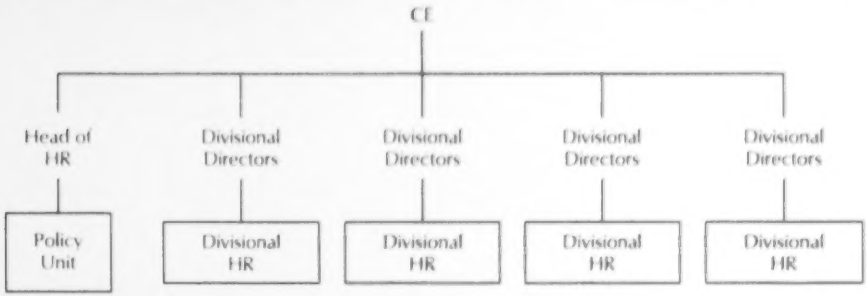
5.1 The structure of HR in practice

We found the most common structure for personnel was to have a central/corporate HR unit responsible for policy formulation and strategy, with divisional HR units reporting to the company HR director or Head of HR (see figure 5.5).

These divisional units were responsible for day to day advice and support to line managers, and the provision of a day to day service, *ie* recruitment, record keeping. The best example of this classic model was exemplified by Pharmaceutical Co., with personnel at the centre organised along specialist lines, and other personnel units organised along site lines. In this example, site personnel (*ie* support personnel) were generalists and were not always located at the site they were supporting, if size and accommodation were an issue. Others following this model were Insurance Co., and two of the central government departments.

Variations on this theme were the severing of a direct line relationship between central HR and divisional HR (figure 5.6). The relationship between the HR units would then be functional, with the main line relationship to the divisional director or equivalent. This was true of Telecom Co., the County Council and one of the government departments (figure 5.7). In the County Council, as has already been observed, there is a split at the centre between Central HR and Personnel Services Department, the former specifying policy and the latter developing it. Despite the absence of a direct line relationship from the centre to the divisions, the split of personnel responsibilities was remarkably similar, *ie* the centre was composed of specialists offering advice

Figure 5.6 Divisional HR in the line

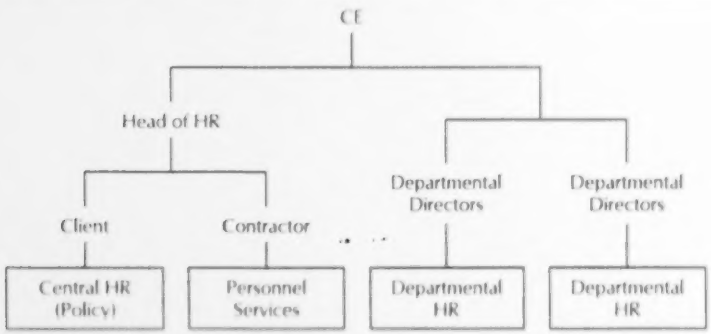


Source: IES, 1997

and guidance, and the divisions by personnel generalists who would provide personnel support to the line.

Our retail group operated a slightly different model (figure 5.8), necessitated by the complexity of the relationships between the group and the individual businesses. In this model, the group personnel function was responsible for providing support and advice if asked, acting as an internal consultancy unit, and working with the business personnel units in project groups. The business personnel units provide advice and guidance to both their own head office and to the stores. In some businesses within the group, the HR units are composed of functional experts, in others they are more generalists. In one of the businesses, there was some experimentation with another tier of

Figure 5.7 County Council



Source: IES, 1997

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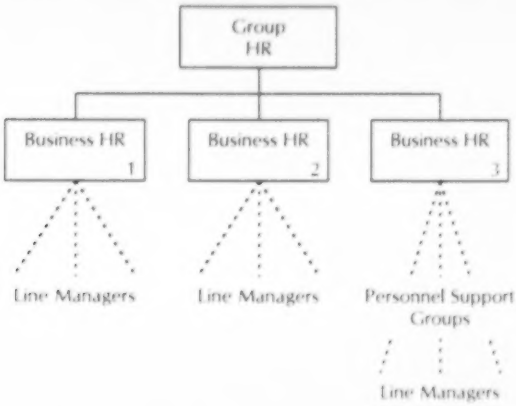
Figure 5.8 Devolvement to the line



Source: IES, 1997

personnel support via personnel support groups that served a number of stores, dealing with issues such as recruitment, induction and general administration.

Not surprisingly, HR structures itself to suit its own circumstances and in response to the pressures upon it. We have already seen that strategic influence does not sit comfortably with day to day administration, the role sets are distinct and, as a consequence, strategy and operations separate in most organisations. The move to HR vested in the line reflects the increasing demands of internal customers, and there are arguments both ways in the value of organising HR differently. HR reporting to the line means that it is closer, more aligned and more responsive. HR maintaining a healthy distance enables it to be more independent, have a wider perspective, *etc.* The tensions in Shipton and McAuley's concept of power and centrality may be at work here.

The split of client and contractor is a rare response to acute pressure to create market conditions within the organisation. It does not appear to bring marked advantages, and creates high transactional costs, as each side has to ensure that the other fulfils their side of the contract. We do not believe that other organisations will follow this model to any significant degree.

6 Summary

It is clear that the HR role is not an easy one, so much is expected from the function from so many potential customers that conflict and tension appear inevitable companions.

Key tensions that we identified for HR centre around role ambiguity. These tensions were clear in most of our case studies, although individual organisations may be feeling one more than another.

6.1 Devolvement and professionalism

Not surprisingly, considering the central importance of devolution in many organisations, this is an issue that touches some of the fundamental foundations of the function. For many personnel professionals, devolvement challenges the very core of their self identity. There is often considerable suspicion over the ability of the line to take on some aspects of personnel work and to carry it out with the same degree of professionalism as the HR function might themselves display. This, coupled with the growing tendency for HR to simultaneously abandon its policing role within the organisation, has led to much professional angst. In some of our organisations it was openly acknowledged that the move away from a monitoring/ watching brief — ensuring that policies were followed, that rules were kept — could well mean that there was an increase in breaches of the organisation's own procedures, which in turn could lead to an increase in industrial tribunal cases. In the best organisations, the move of responsibility for people management issues was accompanied by a concomitant transfer of account-

ability and the set up of procedures to ensure that this accountability was monitored and audited.

The vision of empowerment and devolution is founded on a sense of trust and partnership. The reality is sometimes tainted with very human emotions of dislike of letting go, of a loss of personal identity, of a disbelief in the ability of others to act from the same perspective and principles. This is not to say that devolution has not worked in organisations, in fact it seems to operate as an inexorable force, spreading and growing throughout our organisations. There is something inevitable about it given the pressures on organisations to do things more cheaply, the growth in customer focus and expectations, and the growing empowerment and commitment of the workforce more generally. In some of our case study organisations this vision and commitment were strong driving principles fully supported by those in HR and elsewhere. In others, some of the difficulties and potential resistance were fully acknowledged, including an awareness that resistance was likely from the line as well as from HR.

6.2 The line perspective

Other reports have shown that the line itself is not always so universally delighted with devolution (Bevan *et al.*, 1994), which can feel remarkably like dumping. Some of our case study organisations, in this realisation, were making careful progress in educating and preparing the line for their growing role. Others perceived that from the perspective of the line there was some value in HR retaining responsibility, and therefore accountability, for some aspects of people management. This 'comfort cloth' approach accepted the reassurance of others being accountable, and therefore blameable, for difficult and frequently contentious aspects of management. What we have seen is the growth of divisional HR units, where greater accountability has been pushed their way. If this continues and is coupled with growing independence of the department or unit and associated freedom to act, then there can be a problem of distance from the centre and a loss of the centre's role. If the organisation becomes less centralist, then support to business strategy is best given at the point where business direction is decided.

6.3 From doer to adviser

For HR, the transition from doer to adviser requires different skills and competencies than were previously needed. Some heads of HR were having to contend with employees for whom the transition was proving difficult, whereas for other units the move was seen as a golden opportunity to move in a direction that was perceived as desirable; an opportunity to move away from the administrative and the mundane towards a more strategic influential role in the organisation. There is, though, a potential conflict between a strategic role and a consultancy role. Inevitably consultancy involves responding to a client. In many organisations the client is the line, whose perspectives may be (and frequently are) short term and reactive in nature. A strategic role requires a certain independence, the ability to assess the whole, and the opportunity to think long term. The more HR adopts a consultancy role responding to the needs of the line, the harder it has to work to think and operate strategically.

6.4 Working through influence

For HR, this shift in working relationships often placed the function at some disadvantage compared to previous methods of working. HR could no longer dictate to an organisation the way it should work or involve itself when a people management issue became obvious. Now the function had to influence indirectly, to seek an invitation to act on behalf of a client, to find ways to persuade and impress client departments. This meant that new people management initiatives such as new employee development schemes, the adoption of competency frameworks or the uptake of NVQs, would frequently be patchy as various parts of an organisation would choose to participate or not. Only where there were strong centralist tendencies would there be an organisation-wide commitment to a particular policy. Even changes to pay, traditionally an area where consistency was common, were showing more patchy application as individual units were freed to find their own pay solution.

This places HR in a difficult position; not all units wish to adopt progressive HR policies. Some can stand against conventional wisdom and be authoritarian with little time for people-centred policies. The experiences of individuals within organisations can, as a consequence, be more varied, which leads to a growing sense of injustice and lowered morale. As most HR professionals are

convinced of the value of the human resource and the need to treat people with dignity, to develop and motivate, the more archaic responses of some line managers can cause great frustration.

6.5 Charging dilemmas

The move to HR playing a consultancy role, created some tension with regard to how units that used the services of the function were charged for those services. Some organisations had moved to extensive charging arrangements that covered all aspects of the service provided. This was the domain of the public sector, forced down this route by the edicts of Compulsory Competitive Tendering. Local government, where the legislation was most advanced, has shown the most sophisticated development of these charging arrangements, but even here interpretation can vary from authority to authority. Central government departments were beginning to explore charges for services, and service level agreements with departments that were clients for HR services. In the private sector the most common approach was to charge for training courses but not for other kinds of assistance or help. For many, there was a quite deliberate decision not to charge, on the basis that charging would lessen the use of HR by client units. Some were unsure whether departments would pay, but the overall message was that charging was seen as detrimental to the service that HR provided.

6.6 The role of the centre

As we have seen, there are various models of HR, but the most common was of the central, strategic unit and departmental personnel officers providing line support. For some organisations there was tension around the role of the centre in relation to departmental HR. Where the role of the centre is to devise policy for the organisation as a whole, then there are sensitivities of involvement and collaboration, if this is not to conflict with the ethos of more widely adopted devolvement. HR units have created quite careful means of gaining interest and commitment from line HR or line *per se*, such as function meetings, project working parties, or the championing of certain HR initiatives by key senior line managers. More fundamentally, as devolvement continues there is a tension over the role of the centre. Departments and units may become autonomous to the degree

that they require increasingly bespoke solutions. This in turn can place high demands on the centre in its policy making role, possibly leading to failure to deliver. Alternatively, there can be a sense that the centre does not fully understand the problems and issues of the department, and therefore is either creating corporate policies that are unsuitable, or is not the best placed supplier for tailored solutions. This tension is most marked where devolution is most advanced, or where there is a great distance from the centre to the operational units with many layers in between.

A good example of the former was some of the government departments that we looked at, where devolution was encouraged by statute and where in some cases the centre had some difficulty finding an appropriate role. The latter problem of distance was illustrated by our retail group, where group corporate HR existed alongside another central HR unit for the individual businesses. In these circumstances group HR would provide specific expertise where there were economies of scale, such as job evaluation. It does not require a great leap of imagination to see that if devolution continues, there may also be a time when the tension is not between corporate HR and HR in departments, but more fundamentally between HR and the line. Inevitably, changes in the role and responsibility are frequently met with resistance, but as the new becomes old, some of this change can be seen in a more positive perspective. If the line begins to enjoy and welcome their people management responsibilities, they may resent the 'interference' in their role. It is important that HR proactively forms positive relationships with its working partners, whether that be line HR or the line itself, to ensure that the relationship remains mutually beneficial.

In summary, we see some key changes in the function itself that are currently causing some difficulty:

- Devolving responsibility to the line can feel like a loss in professionalism and the variety of mixed practice.
- The line are frequently unwilling to assume any greater responsibility or accept a role that is obviously difficult and frequently contentious.
- Less direct power puts the function in a position of asking permission to act. Where the standing of HR is high, then influence can be strong; where the function is more peripheral and not well thought of, influence can be minimal.

- **The market nature within which some units operate adds a further barrier to meaningful partnership. Charging for services may persuade some line managers to try elsewhere.**
- Increasing devolvement to the line, and the adoption of a consultancy model where the primary role of HR is to support the line, means that the function becomes less strategic. Inevitably the horizon of the line tends towards the immediate issue, whereas a strategic role requires a more long-term perspective.
- As units devolve, the centre may become increasingly isolated and seen as peripheral. If the trend of devolution to the line continues and becomes more accepted by the line, then it may be that what we have seen happen to the centre in some organisations could happen to HR itself. As managers become comfortable with their new responsibility and freedom, the HR support unit may be seen as redundant.

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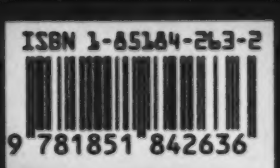

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